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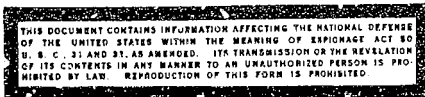
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CCP ADJUSTS FINANCES  
IN SHANG-HAI, SHAN-T'OU, AND KUANG-CHOU

SHANG-HAI POOLS LOAN FUNDS -- Ta Kung Pao, 3 Jan 50

Shang-hai -- Under the guidance of the People's Bank, the various publicly operated banks, private banks, and exchange shops of Shang-hai have organized the Shang-hai Public and Private Currency Business United Loan Office, the purpose of which is to coordinate their strength and direct idle capital into productive lines. The capital fund is provisionally set at 12 billion yuan people's currency [480,000 US dollars as of 6 February]. Of this, the government banks will furnish 2 billion yuan and the other public and private enterprises concerned, 10 billion yuan.

All industrialists needing loans should present their request with full particulars to the loan office for consideration. No loan will be granted for more than 60 days.

The interest rate will be 90 percent of the average minimum rate posted daily by the Currency Exchange Committee, and will be computed and paid each 10 days.

The purpose for which the borrowed fund is to be used will be clearly set forth in the contract and there may not be any diversion to other purposes during the term of the contract.

If a member of the pool lacks sufficient currency because of inability to call in its loans, it may apply to the Shang-hai branch of the People's Bank for a reduction in its quota. During the period of participation in the loan pool, a member bank may transfer all or a part of its individual loans if it can find other members of the pool who are willing to handle its loan contracts.

The organization's headquarters is located at the People's Bank. It will begin business as soon as the participating firms have completed contract arrangements.

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This arrangement, which reveals the cordial relations existing among public and private currency agencies, will permit a gradual transformation of short-term capital into long-term capital and bring about the conversion of commercial capital into industrial capital. By agreeing to this arrangement the participants have revealed their willingness to strive for increased production.

PROHIBITS FOREIGN CURRENCY CIRCULATION -- Wen-hui Pao, 5 Jan 50

The Shan-t'ou Military Control Commission has prohibited circulation of all foreign currencies, and has forbidden all private operations in foreign exchange and all business in overseas Chinese remittances outside the prescribed channels. The purpose of the regulations is to eliminate the circulation of Hong Kong currency in the city.

The Bank of China is receiving deposits of Hong Kong currency in return for which deposit certificates are issued; and all holders of such currency are expected to turn it in. The deposit certificates are negotiable and may also be used through the bank to make remittances to Hong Kong for trading purposes.

The authorities have arrested about 120 violators of the regulations. The violators were instigated by KMT special agents in an attempt to disrupt the program. Since the policy has been adopted, commodity market prices in Shan-t'ou have steadily fallen.

KUANG-CHOU REACTS TO CCP LEVY -- Hsin-sheng Wan-pao, 3 Jan 50

The 15-billion yuan loan exacted from Kuang-chou business firms by the Kuang-chou municipal government has proved to be much harder to collect than the authorities seem to have anticipated.

Various lines of business manifested a great deal of dissatisfaction over the distribution of the allotments, especially the jewelers. They were assigned 35 percent of the loan to raise. Consequently, they all closed shop in protest.

The original date set for turning in the funds was 13 November. The date was then progressively moved to 15, 19, 22 November and finally to 31 December as the business houses failed to turn in the funds on the dates indicated.

The announcement of the extension to the last day of the year was accompanied by the threat that any company failing to meet this deadline would be regarded as reactionary and dealt with accordingly in the courts.

Although the Kuang-chou authorities have published no report on the amount received to date, qualified observers believe that not more than 30 to 35 percent of the original amount had been raised by 30 December.

EDITOR DEFENDS PRICE SITUATION -- Ta Kung Pao, 23 Dec 49

Since the early days of December, commodity prices have been undergoing a gradual decline. In Shang-hai, Han-k'ou, and Pei-p'ing, prices have decreased an average of 16 percent; in Tien-ching, 10 percent; and in Hsi-an, 7 percent. In South China and Kuang-chou, although prices fluctuated unsteadily after the recent liberation, the trend has been generally downwards, particularly for foodstuffs.

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During the past 2 weeks, prices in all parts of the country, after a momentary drop, rapidly stabilized.

There are those who maintain that the present prices situation in China differs only slightly from that existing under the Kuomintang and that nothing can hold prices in check. This is entirely wrong. The fluctuation in prices during October and November can be best explained in the words of Premier Chou Enlai: "The difficulties that arose in the aftermath of our victory in no way resemble the inescapable and destructive economic crises that marked the reactionary regime of the KMT."

What are some of the difficulties and how did they come about? First, throughout most of 1949 there have been all sorts of natural calamities. Since spring, China has been plagued with flood, drought, pestilence, frost, and hail. These have done extensive damage and caused great losses.

Secondly, due to the enormous scope of the revolutionary war and the work of economic recovery, there has been a lack of balance between government revenues and expenditures. Deficits have been very large, resulting in a further issue of bank notes.

Thirdly, idle capital still exerts great force on the market. Thus, dishonest merchants ply their advantage and speculators capitalize on the temporary lack of balance in the law of supply and demand. These factors all contribute to commodity price rises. To maintain present stability, the following plan has been drafted:

1. Inaugurate a program of self-sufficiency and mutual assistance in production. To accomplish this, on 19 December 1949, the Administration Council of the Central People's government published directives for increasing production by combating calamities, as a basis for the 1950 production movement.

2. Strive to set the tax system in order, thus increasing revenue. The issuance of government bonds will eliminate the necessity of issuing more bank notes, and gradually government deficits will decrease. To realize this objective, the Central People's government has published the 1950 budget and the prescribed measures for the issuance of government bonds. This procedure will acquaint each citizen with the true financial condition of the country and inspire him with a realization of the need for economic stabilization and realistic commodity prices.

3. Increase currency control, remove currency fluctuation by manipulation of idle capital, and equalize supply and demand. Currency control is already in operation in various parts of China and is bound to bring about healthy market conditions.

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